

OFFICE OF THRIFT SUPERVISION

APPROVAL OF APPLICATIONS FOR PERMISSION TO ORGANIZE A FEDERAL SAVINGS BANK AND HOLDING COMPANY ACQUISITION

Order No.: 99-44

Date: July 9, 1999

Guard Insurance Group, Inc., Guard Financial Services, Inc., GUARD Insurance Companies, Inc., AmGUARD, EastGUARD, NorGUARD, GUARD America Insurance Companies, Inc., and Assurco Management, Inc., all of Wilkes-Barre, Pennsylvania, and four trusts (defined in the applications as the Shoal Trusts) (the "Holding Companies"), have applied for approval of the Office of Thrift Supervision (the "OTS") pursuant to 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 552.2-1 and 574.3 for permission to organize and acquire Guard Security Bank, Wilkes-Barre, Pennsylvania (the "Savings Bank") (collectively, "the Applications").

The OTS has considered the Applications under the factors set forth in 12 U.S.C. §§ 1464(e) and 1467a(e); 12 C.F.R. §§ 543.3, 552.2-1 and 574.7; and other applicable statutes and regulations. The OTS also has considered the Applications under the Community Reinvestment Act (the "CRA"), 12 U.S.C. § 2901 *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e.

In addition, the OTS has considered a digest from the Northeast Regional Office, an analysis prepared by the Office of Supervision, and a legal opinion from the Business Transactions Division (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS finds that the Applications satisfy the applicable approval standards provided that the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee ("Regional Director"). Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The proposed transaction must be consummated no later than 120 calendar days after the date of this approval order, unless an extension is granted for good cause by the Regional Director;
2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Savings Bank and the Holding Companies must certify to the Regional Director, in writing, that no material adverse events or material adverse changes have occurred with respect to the financial condition or operations of the Savings Bank and the Holding Companies, respectively, since the date of the financial statements submitted with the Applications;
3. The Savings Bank and the Holding Companies must obtain all required regulatory and shareholder approvals prior to consummation, must supply copies of those approvals to the Regional Director, must act to satisfy all requirements and conditions imposed by the OTS,

and must comply with all undertakings made in connection with the applications and with applicable laws, rules, and regulations;

4. No later than 5 calendar days from the date of consummation of the proposed transaction, the Savings Bank must file with the Regional Director, a certification by legal counsel stating the effective date of the proposed transaction and of the Savings Bank's insurance of accounts, and that the transaction has been consummated in accordance with the provisions of all applicable laws and regulations, the Applications, and this order.
5. The Savings Bank must submit independent audit reports to the Regional Office for its first three fiscal years. These reports must be in compliance with the audit rules set forth in 12 C.F.R. § 562.4;
6. The Savings Bank must operate within the parameters of its business plan. The Holding Companies and the Savings Bank must submit any proposed major deviations or material changes from the plan (including changes resulting from decisions made by the Holding Companies), and in particular, those pertaining to cross-marketing, for the prior, written non-objection of the Regional Director. The request for any change must be submitted a minimum of 30 calendar days before the proposed change is implemented;
7. At least 40 percent of the Savings Bank's board of directors must be comprised of individuals who are not officers or employees of the Holding Companies or affiliates thereof and at least one member of the Savings Bank's board of directors must be an individual who is not an officer, director or employee of the Holding Companies or any affiliate and who is not an officer or employee of the Savings Bank. At least 50 percent of the Savings Bank's audit and investment committees must be comprised of directors who are not officers or employees of the Savings Bank, the Holding Companies or any affiliates;
8. The Holding Companies, its affiliates, and the Savings Bank must comply with the anti-tying restrictions of 12 U.S.C. §§ 1464(q) and 1467a(n) and must develop written procedures to effect such compliance. The procedures must disclose any proposed bundling arrangements and must be submitted for the review and non-objection of the Regional Director prior to their use by the Savings Bank.
9. The Savings Bank, the Holding Companies, and any affiliates must comply with, at a minimum, the General Guidelines in Disclosures and Advertising set forth in the *InterAgency Statement on Retail Sales of Nondeposit Investment Products*, OTS Thrift Bulletin 23-2, whenever the agents of the Holding Companies or an affiliate market the deposit products of the Savings Bank;
10. At least 30 calendar days before beginning operations, the Savings Bank must submit written evidence, acceptable to the Regional Director, that the Savings Bank's Year 2000

efforts comply with the terms, milestone dates, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council.

Any time specified herein may be extended by the Regional Director, for good cause, for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or her designee, effective
July 9, 1999.



Scott M. Albinson
Managing Director, Office of Supervision